



Patrick Callahan
Certified Public Accountant

FILED
AUG 18 2008
INDIANA UTILITY
REGULATORY COMMISSION

**CITY OF AURORA
MUNICIPAL GAS UTILITY**

Dearborn County, Indiana

IURC Cause No. 43527

Financial Rate Study

August 18, 2008

**IN THE MATTER OF THE PETITION
OF THE CITY OF AURORA FOR
THE APPROVAL OF NEW SCHEDULE
OF RATES AND CHARGES**

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Cause No. 43527

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**PREFILED DIRECT TESTIMONY AND EXHIBITS OF
PATRICK CALLAHAN, CPA**

On Behalf of

**AURORA (INDIANA) MUNICIPAL GAS UTILITY
IURC Cause No. 43527**

BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

1 1. Q. Would you please state your name, business address and
2 affiliation with the Petitioner?

3 A. My name is Patrick Callahan. My business address is
4 135 North Union Street, Westfield, Indiana 46074. I
5 am an independent Certified Public Accountant and other
6 than being employed to provide certain professional
7 services, I am unaffiliated with Petitioner.

8 2. Q. Please describe the nature of your business.

9 A. Patrick Callahan, Certified Public Accountant is a firm
10 which provides utility accounting services to a variety
11 of clients, including a number of utilities regulated
12 by the Indiana Utility Regulatory Commission.

13 3. Q. Please summarize your educational background and
14 experience in matters relevant to Petitioner's request
15 before this Commission.

16 A. I graduated from Franklin College in 1980 with a major

17 in Accounting and Business Administration. I am a
18 registered Certified Public Accountant in the State of
19 Indiana with membership in the Indiana State CPA
20 Society. In May, 1982, I began my employment with the
21 Accounting Department of the Indiana Utility Regulatory
22 Commission (formerly the Public Service Commission of
23 Indiana). In that capacity, I was responsible for
24 evaluating the financial condition along with the rate
25 request of all types of utilities under the Indiana
26 Utility Regulatory Commission jurisdiction. After
27 reviewing the rate request, I would then make
28 recommendations to the Commission by preparing exhibits
29 and providing testimony. I attended and completed the
30 National Association of Regulatory Commissioner's
31 Annual Regulatory Studies Program at Michigan State
32 University in 1984. In July, 1985, I entered into
33 private practice working extensively with utilities.

34 4. Q. Have you previously testified before this Commission as
35 to rate relief required by various utilities?

36 A. Yes, I have.

37 5. Q. What is the purpose of the testimony and exhibit you
38 have prefled in this proceeding?

39 A. The purpose of my testimony and exhibit in this Cause

40 is to determine the proper level of rate relief for
41 Aurora Municipal Gas Utility ("Petitioner") and
42 ultimately the rates to be charged to its gas
43 customers.

44 6. Q. Have you determined the proper level of rate relief for
45 Petitioner?

46 A. Yes, I have. Based upon the financial rate study,
47 Petitioner will have to increase its annual operating
48 revenues by \$175,656 or an increase of 4.8% to meet its
49 annual revenue requirements. This increase applied on
50 an "across-the board" basis will allow Petitioner to
51 recover the necessary revenues to operate.

52 7. Q. Could you please explain your financial rate study?

53 A. Yes. The financial rate study can be divided into two
54 sections. The first section is the historical
55 financial information of Petitioner. Pages 1 through 6
56 present the historical financial information. The
57 financial statements have been taken from the books and
58 records of Petitioner and are the representation of
59 management. I have not audited them and accordingly do
60 not express an opinion on them. The second section of
61 the financial rate study is the pro-forma information
62 with projections. The financial projections are based

63 upon historical information and anticipated occurrences
64 that are fixed, known and measurable. These financial
65 projections present, to the best of management's
66 knowledge and belief, the Utility's expected results of
67 operations for a twelve-month period. Even if these
68 projections are agreed upon, there will usually be
69 differences between projected and actual results
70 because events and circumstances frequently do not
71 occur as expected and these differences may be
72 material. Pages 7 and continuing through 34 provide
73 information and support for the requested increase by
74 Petitioner.

75 8. Q. Please explain the historical financial information
76 presented on pages 1 through 6.

77 A. The comparative balance sheet of Petitioner is shown on
78 pages 1 and 2. The comparative balance sheet is
79 presented as of December 31, 2005, 2006 and 2007. The
80 comparative income statement is presented on page 3.
81 The comparative income statement reflects the results
82 of operations for the calendar years 2005, 2006 and
83 2007. Petitioner had net losses for two of the three
84 comparative years. The test year in this Cause is the
85 twelve months ended December 31, 2007 as agreed upon by
86 the parties in this Cause. The detail of operating

87 revenues for the calendar years 2005, 2006 and 2007 are
88 presented on page 4. The detail to the operation and
89 maintenance expenses for the same period is shown on
90 pages 5 and 6.

91 9. Q. Please explain the pro-forma information reflected on
92 pages 7 through 34.

93 A. On page 7 of the rate study is the summary of the pro-
94 forma revenue requirements of Petitioner. This page
95 itemizes all of the revenue requirements along with the
96 respective amount to be recovered from Petitioner's
97 customers through rates and charges. As shown on line
98 19 of page 7, Petitioner will require \$3,851,632
99 annually to meet its operation & maintenance expenses,
100 depreciation expense, taxes, capital improvements,
101 payment in lieu of taxes, working capital and cash
102 return on net utility plant. The miscellaneous
103 operating revenues of \$13,699 will be used to reduce
104 the annual revenue requirements from \$3,851,632 to
105 \$3,837,933. As shown on line 25 of page 7, the current
106 rates and charges will require an annual increase of
107 \$175,656. On page 8, I have provided the pro-forma net
108 operating income statement. Column A of this statement
109 is the actual net operating income statement for the
110 twelve months ended December 31, 2007, the test year in

111 this Cause. In column B are the adjustments necessary
112 to adjust the test year income statement to reflect
113 twelve months of normal operations. Each dollar amount
114 reflected in column B is followed by a number in
115 parenthesis. This number, or footnote to the
116 adjustment, is detailed on pages 9 to 25 and will be
117 discussed later. Column C is the summation of Column A
118 and the adjustments shown in Column B. Column C is
119 normally referred to as the pro-forma present-rate net
120 operating income statement. Column D reflects the
121 adjustments needed to reflect the proposed rate
122 increase along with the additional utility receipts tax
123 (URT) associated with the proposed increase. The
124 detail for the Column D adjustments is shown on pages
125 26 and 27 and will be discussed later. Column E is the
126 summation of Columns C and D and is the expected
127 results of operation for a normal twelve-month period
128 with the proposed 4.8% rate increase in effect.

129 10. Q. **Would you please explain the adjustments in Columns B**
130 **and D?**

131 A. Yes. Adjustment No. 1 is the adjustment to reflect the
132 normalization of the GCA factor. With the new base
133 cost of gas of \$10.45, the pro-forma GCA revenues are
134 \$1,972,791. Subtracting the test year GCA revenues from

the pro-forma GCA revenues, the operating revenues will have to be increased by \$125,365 to be synchronized with the pro-forma purchased gas expense. Presented in Adjustment No. 2, on pages 10 and 11, is the weather normalization adjustment. Based on the weather station located in Cincinnati (Airport), the degree days for calendar year 2007 were 4,715 compared to the normal of 5,105, a difference of 390 degree days. Therefore, the test year was 8.27% warmer than normal; consequently, the operating revenues required an increase of \$84,124. Adjustment No. 3 is needed to reflect the elimination (reclassification) of tap fees from the operating revenues of Petitioner. On page 13, Adjustment No. 4 presents the purchased gas expense adjustment. The test year average gas cost was \$10.45 per dekatherm (DTH) and was used to calculate the pro-forma gas expense and the new base cost of gas. The adjustment will increase Petitioner's purchased gas expense by \$170,844.

11. Q. **Please continue.**

A. The pro-forma payroll expense of \$188,954 is reflected in Adjustment No. 5. This adjustment includes the wage for a new employee. Petitioner's workforce was reduced by the death of two of its employees. Sixty percent of

the new employee's wages is charged to the Petitioner and the remaining forty percent to the municipal water utility. The total pro-forma payroll adjustment is a decrease of \$4,120 compared to the test year expense. Adjustment Nos. 6 and 7 are for employee benefits. Adjustment No. 6 reflects the decrease in health benefits. Petitioner has changed its health insurance carrier and has reduced its annual expense by \$17,776. The retirement benefits will decrease by \$18,972 and is presented in Adjustment No. 7 on page 17. The cost of fuel has increased during the test year. Adjustment No. 8 allows Petitioner to recover the increased fuel costs. The municipal utilities' normalized usage was 8,685 gallons. The gallons were priced at a cost of \$3.80 per gallon. Petitioner is responsible for thirty-one percent (31%) of the fuel cost; therefore an increase of \$3,370 was made to transportation costs. Adjustment No. 9 is needed to recover rate case expense over a five year period. The increase is only \$53 due to test year expenses Petitioner paid for professional services. Petitioner intervened in Lawrenceburg Gas Company's rate case before the Commission (Cause No. 43090) and incurred professional fees. On page 20 is Adjustment No. 10 for normalization for the cost of preparing the GCA. Petitioner files four GCA

184 applications per year; however, the test year expenses
185 did not reflect a full year of expenses. The
186 normalization includes the costs for the Commission,
187 Office of Utility Consumer Counselor, rate consultant
188 and legal counsel. Adjustment No. 11 is required to
189 reclassify expenditures that should be capitalized or
190 reclassified as extensions & replacements. I have
191 reduced the operation and maintenance expenses by
192 \$19,430. Adjustment 12 reflects the increase in
193 depreciation expense. The pro-forma depreciation
194 expense of \$72,883 presented on page 22 is based on the
195 existing utility plant in service and the increase in
196 plant made during the test year (Adjustment No. 11).
197 Petitioner's last debt payment was made in 2008;
198 therefore, any amortization expense associated with
199 this bond issue should be eliminated. Adjustment No.
200 13 eliminates the \$2,794 amortization expense
201 associated with the revenue bonds. Adjustment No. 14 on
202 page 24 decreases the FICA/Medicare taxes due to the
203 decrease in payroll expense. The FICA/Medicare tax
204 expense will decrease by \$473. The final adjustment
205 presented in Column B of page 8 is for Petitioner's
206 utility receipts tax expense. After normalizing
207 Petitioner's present revenues, the utility receipts tax
208 will increase by \$6,255. Adjustment No. 15 on page 25

209 provides the calculation to support this adjustment.

210 12. Q. **Please explain the adjustments in column D of page 8.**

211 A. In column D, I have included two adjustments. The
212 first, Adjustment No. 16, presents the proposed 4.8%
213 rate increase to Petitioner's customers. This increase
214 will provide an additional \$175,656 annually in
215 revenues. Adjustment No. 17 is the adjustment needed
216 to reflect the additional utility receipts tax to be
217 paid due to the proposed increase in operating
218 revenues.

219 13. Q. **Will you please explain the remaining revenue**
220 **requirements of Petitioner reflected on pages 28**
221 **through 31?**

222 A. Yes. On page 28, I have provided Petitioner's request
223 for one item in its capital improvement program.
224 Petitioner is requesting \$10,000 annually for the next
225 three years to fund the cost of mapping its
226 distribution system. The Payment in Lieu of Taxes
227 (PILT) calculation is shown on page 29. Based on the
228 net utility plant in service and the City's corporate
229 tax rate, the annual PILT amount is \$24,750.

230 14. Q. **Has Petitioner requested working capital as a revenue**

231 **requirement?**

232 A. Yes. As can be seen on Petitioner's balance sheet, the
233 operating fund has been in the negative for the three
234 years shown. Petitioner has been using the meter
235 deposit fund, which is a restricted fund, to pay for
236 its operations during these three years. The meter
237 deposit fund should be restricted to providing refunds
238 of meter deposit to customers or used to apply towards
239 outstanding gas bills when customers leave the utility.
240 Although Petitioner is not requesting funds to recover
241 the negative balance, it is requesting the proper
242 amount as provided using the 45-day method. The
243 working capital calculation is shown on page 30.

244
245 15. Q. **Petitioner is requesting a cash return on net utility**
246 **plant in service. Can you explain why?**

247 A. Yes. On page 31, Petitioner has provided the
248 calculation for a cash return. This cash return of
249 \$31,045 provides Petitioner with a weighted cost of
250 capital of 3.86% and a return on equity of 4.5%. This
251 return will be used to pay back the Wastewater and
252 Water Utilities for money borrowed. Petitioner owes
253 the Wastewater Utility \$125,000 and the Water Utility
254 \$100,000 for a total of \$225,000. The State Board of
255 Accounts requires these loans to be paid back to the

256 utilities. At this level of cash return (\$31,000), it
257 will take Petitioner over seven years to pay these
258 loans back.

259 16. Q. Please explain the "Schedule of Present and Proposed
260 Rates" shown on page 32 and the remaining schedules.

261 A. On page 32 is the schedule comparing the present and
262 proposed rates. On page 33 is the current and revised
263 GCA-98 factor. In column A, is the current GCA-98
264 factor as approved by this Commission. Column B is the
265 revised GCA-98 factor when factoring in the new base
266 cost of gas. The impact to the customer is shown on
267 page 34. Assuming a customer (General Gas Service)
268 consumes 50 therms of gas per month, the customer's
269 bill would increase by \$3.73, from \$90.62 to \$94.35 per
270 month. A customer using 200 therms will see an
271 increase of \$11.81, from \$354.59 to \$366.40.

272 17. Q. Does this conclude your prefiled written testimony?

273 A. Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing testimony is true to the best of my knowledge, information and belief.

Signed: Patrick Callahan, CPA

Patrick Callahan, CPA
Rate Consultant

Respectively Submitted,

Kimberly A. Schmaltz /pc

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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing testimony was served by hand delivery, on the 18th day of August, 2008 to the Office of Utility Consumer Counselor, 115 W. Washington Street, Suite 1500 S., Indianapolis, Indiana 46204.

Kimberly A. Schmaltz /pc
Kimberly A. Schmaltz

AURORA MUNICIPAL GAS UTILITY

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AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Comparative Balance Sheet

As of December 31, 2005, 2006 and 2007

(Unaudited)

Line No.		As of December 31,		
		2007 Col. A	2006 Col. B	2005 Col. C
1	<u>Assets and Other Debits</u>			
2	<u>Utility Plant</u>			
3	Utility plant in service	\$ 1,836,093	\$ 1,831,352	\$ 1,778,666
4	Less: Accumulated provision for depreciation	(783,384)	(720,831)	(660,307)
5				
6	Net Utility Plant in Service	\$ 1,052,709	\$ 1,110,521	\$ 1,118,359
7				
8	<u>Current and Accrued Assets</u>			
9	Cash - Operating fund	\$ (132,951)	\$ (104,449)	\$ (90,588)
10	Cash - Sinking fund	37,180	30,814	289,201
11	Cash - Meter deposit fund	153,473	143,406	101,150
12	Cash - Meter deposit clearing	(187)	18,458	913
13	Cash - Clearing account	4,687	18,543	18,543
14	Cash - Payroll fund	100	100	7,892
15	Cash - Working fund	386	386	386
16				
17	Cash - Total	\$ 62,688	\$ 107,258	\$ 327,497
18				
19	Accounts receivable - Customers	\$ 421,478	\$ 485,139	\$ 790,086
20	Accounts receivable - Others	158,235	112,089	90,503
21	Less: Accumulated provision for uncollectibles	(13,398)	(11,810)	(11,810)
22				
23	Accounts Receivable (net of reserve)	\$ 566,315	\$ 585,418	\$ 868,779
24				
25	Due from (to) other utilities	\$ (4,687)	\$ -	\$ -
26				
27	Total Current & Accrued Assets	\$ 624,316	\$ 692,676	\$ 1,196,276
28				
29	<u>Deferred Debits</u>			
30	Unamortized bond issuance costs	\$ -	\$ 2,045	\$ 8,178
31				
32	Total Deferred Debits	\$ -	\$ 2,045	\$ 8,178
33				
34	Total Assets and Other Debits	\$ 1,677,025	\$ 1,805,242	\$ 2,322,813

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY
Dearborn County, Indiana

Comparative Balance Sheet
As of December 31, 2005, 2006 and 2007
(Unaudited)

Line No.		As of December 31,		
		2007 Col. A	2006 Col. B	2005 Col. C
1	Liabilities and Other Credits			
2	<u>Proprietary Capital</u>			
3	Unappropriated retained earnings	\$ 1,093,188	\$ 1,438,283	\$ 1,144,011
4	Current earnings	(160,003)	(318,495)	294,272
5				
6	Net Utility Plant in Service	\$933,185	\$1,119,788	\$1,438,283
7				
8	<u>Long-Term Debt</u>			
9	Revenue bonds - 1997	\$ -	\$ 55,000	\$ 110,000
10	Revenue bonds - 2001	-	-	118,000
11	Deferral of loss on refunding	-	(749)	(2,996)
12	Citi Capital	2,931	5,630	-
13				
14	Long-Term Debt - Total	\$ 2,931	\$ 59,881	\$ 225,004
15				
16	<u>Current and Accrued Liabilities</u>			
17	Accounts payable	\$ 9,431	\$ 8,312	\$ 13,078
18	Accounts payable - Sewer	125,000	-	
19	Accounts payable - Water	108,056	50,000	80,000
20	Wages payable	4,583	-	
21	Sales tax payable	13,928	17,069	27,211
22	Utility receipts tax payable	11,062	14,616	19,009
23	Customer deposits	153,474	143,406	101,150
24	Accrued interest payable	513	1,978	3,344
25	Matured L-T debt - 1997	55,000	55,000	50,000
26	Matured L-T debt - 2001	-	118,000	112,000
27				
28	Current and Accrued Liabilities - Total	\$ 481,047	\$ 408,381	\$ 405,792
29				
30	<u>Contributions in Aid of Construction</u>	\$ 259,862	\$ 217,192	\$ 253,734
31				
32	Total Assets and Other Debits	\$ 1,677,025	\$ 1,805,242	\$ 2,322,813

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Comparative Income StatementFor the Years Ended December 31, 2005, 2006 and 2007
(Unaudited)

Line No.		Year Ended 12/31/07 Col. A	Year Ended 12/31/06 Col. B	Year Ended 12/31/05 Col. C
1	<u>OPERATING REVENUES</u>			
2	Sales of gas	\$ 3,452,788	\$ 3,985,093	\$ 4,265,907
4	Other operating revenues	14,899	19,484	22,683
6	Total Operating Receipts	<u>\$ 3,467,687</u>	<u>\$ 4,004,577</u>	<u>\$ 4,288,590</u>
8	<u>OPERATING EXPENSES</u>			
9	<u>Operation and Maintenance</u>			
10	Purchased gas expense	\$ 3,044,339	\$ 3,745,716	\$ 3,414,267
11	Distribution expense	145,731	145,970	137,934
12	Customer account expense	48,962	33,413	33,061
13	Customer service & info expense	9,898	11,251	12,555
14	Administration & general expense	269,572	245,637	257,563
16	Total Operation & Maintenance Expenses	<u>\$ 3,518,502</u>	<u>\$ 4,181,987</u>	<u>\$ 3,855,380</u>
18	<u>Depreciation Expense</u>	62,553	60,524	59,394
20	<u>Amortization Expense</u>	2,794	8,380	8,380
22	<u>Taxes other than income</u>	60,136	70,486	74,081
24	Total Operating Expenses	<u>\$ 3,643,985</u>	<u>\$ 4,321,377</u>	<u>\$ 3,997,235</u>
26	Net Operating Income (Loss)	<u>\$ (176,298)</u>	<u>\$ (316,801)</u>	<u>\$ 291,355</u>
28	<u>OTHER INCOME & DEDUCTIONS</u>			
29	Merchandise, Job, Contract Work	\$ 8,764	\$ 488	\$ 9,383
30	Interest income	9,338	12,276	10,560
31	Miscellaneous non-operating income	4,039	438	194
33	Total Other Income & Deductions	<u>\$ 22,141</u>	<u>\$ 13,201</u>	<u>\$ 20,137</u>
35	<u>INTEREST CHARGES</u>			
36	Interest Expense - LT Debt	\$ 5,811	\$ 14,797	\$ 17,219
37	Other interest expense	34	99	0
39	Total Interest Expense	<u>\$ 5,845</u>	<u>\$ 14,897</u>	<u>\$ 17,219</u>
41	Net Income (Loss)	<u>\$ (160,002)</u>	<u>\$ (318,496)</u>	<u>\$ 294,273</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Operating RevenuesFor the Years Ended December 31, 2005, 2006 and 2007
(Unaudited)

Line No.		Year Ended 12/31/07 Col. A	Year Ended 12/31/06 Col. B	Year Ended 12/31/05 Col. C
1	<u>OPERATING REVENUES</u>			
2	<u>Sales of Gas</u>			
3	Residential	\$ 1,343,803	\$ 1,558,111	\$ 1,755,617
4	Commercial	968,793	1,142,791	1,136,626
5	Industrial	1,101,321	1,247,667	1,332,763
6	Municipal	30,334	30,724	31,215
7	Interdepartmental - Water	5,181	5,146	7,855
8	Interdepartmental - Wastewater	3,356	654	1,831
9				
10	Total Sales of Gas	<u>\$ 3,452,788</u>	<u>\$ 3,985,093</u>	<u>\$ 4,265,907</u>
11				
12	<u>Other Operating Revenues</u>			
13	Forfeited discounts	\$ 12,920	\$ 16,765	\$ 16,766
14	Reconnects	720	353	417
15	Tap fees	1,200	791	5,500
16	Miscellaneous service revenues	59	1,575	0
17				
18	Total Other Operating Revenues	<u>\$ 14,899</u>	<u>\$ 19,484</u>	<u>\$ 22,683</u>
19				
20	Total Operating Revenues	<u><u>\$ 3,467,687</u></u>	<u><u>\$ 4,004,577</u></u>	<u><u>\$ 4,288,590</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Operation and Maintenance Expenses
 For the Years Ended December 31, 2005, 2006 and 2007
 (Unaudited)

Line No.		Year Ended 12/31/07 Col. A	Year Ended 12/31/06 Col. B	Year Ended 12/31/05 Col. C
1	<u>OPERATION AND MAINTENANCE EXPENSES</u>			
2	<u>Gas Supply Expense</u>			
3	Purchased gas expense	\$ 3,044,339	\$ 3,745,716	\$ 3,414,267
4				
5	Gas Supply Expense - Total	\$ 3,044,339	\$ 3,745,716	\$ 3,414,267
6				
7	<u>Distribution Expenses</u>			
8	Operation supervision	\$ 12,312	\$ 11,489	\$ 8,683
9	Mains and services	9,699	6,106	7,788
10	Meter & house regulator	4,317	4,581	6,469
11	Customer installation	2,495	534	764
12	Transportation	13,246	20,251	16,513
13	Other expenses	34,553	28,496	29,647
14	Rents	32	-	190
15	Maintenance supervision	6,328	6,103	6,272
16	Maintenance of structures & improvements	518	2,500	294
17	Maintenance of mains	12,720	12,320	10,405
18	Maintenance of measuring & regulating equipment	1,435	1,760	553
19	Maintenance of services	19,188	21,324	20,435
20	Maintenance of meter & house regulator	4,738	9,610	10,386
21	Maintenance of other equipment	24,150	20,896	19,535
22				
23	Distribution Expense - Total	\$ 145,731	\$ 145,970	\$ 137,934
24				
25	<u>Customer Accounts Expenses</u>			
26	Meter reading expenses	\$ 12,070	\$ 11,264	\$ 11,514
27	Customer records and collection	21,906	21,501	21,447
28	Uncollectible accounts	14,986	-	-
29	Miscellaneous	-	648	100
30				
31	Customer Accounts Expense - Total	\$ 48,962	\$ 33,413	\$ 33,061
32				
33	<u>Customer Service Expenses</u>			
34	Customer service & information expense	\$ 9,140	\$ 9,095	\$ 9,768
35	Supervision	-	-	-
36	Sales promotion expenses	758	2,043	2,787
37	Miscellaneous	-	113	-
38				
39	Customer Services Expenses - Total	\$ 9,898	\$ 11,251	\$ 12,555

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Operation and Maintenance Expenses

For the Years Ended December 31, 2005, 2006 and 2007

(Unaudited)

Line No.		Year Ended 12/31/07 Col. A	Year Ended 12/31/06 Col. B	Year Ended 12/31/05 Col. C
40	OPERATION & MAINTENANCE EXPENSES (cont'd)			
41	Administrative & General Expenses			
42	Administrative & general salaries	\$ 20,495	\$ 18,158	\$ 18,031
43	Salary - Clerk-Treasurer	3,059	2,996	2,771
44	Salary - Board	1,480	1,440	1,880
45	Office supplies & other expenses	2,786	1,602	944
46	Water service	53	45	36
47	Electric service	1,916	2,655	2,342
48	Telephone service	2,670	3,868	3,890
49	Office supplies	1,112	1,676	2,419
50	Printing	-	60	-
51	Contractual services	32,920	19,518	18,778
52	Bookkeeping service	8,597	1,187	7,404
53	Payroll service	300	250	-
54	Accounting service	12,294	14,959	5,925
55	Legal service	11,523	4,835	2,152
56	Random testing	-	260	588
57	Property insurance	11,961	18,449	21,933
58	Employee benefits - Health	75,415	69,398	95,395
59	Employee benefits - Life	11,551	12,688	3,512
60	Employee benefits - Pension	25,825	23,495	25,842
61	Employee benefits - Vacation & holiday pay	29,937	30,016	27,592
62	Employee benefits - Uniforms	4,150	3,780	4,497
63	Regulatory commission expense	2,067	2,101	2,069
64	Institutional or goodwill advertising	1,060	1,024	1,504
65	Miscellaneous general expense	4,201	6,745	3,859
66	Rents	4,200	4,355	4,200
67	Maintenance of general plant	-	77	-
68				
69	Administrative & General Expenses - Total	<u>\$ 269,572</u>	<u>\$ 245,637</u>	<u>\$ 257,563</u>
70				
71	Operation & Maintenance Expenses - Total	<u>\$ 3,518,502</u>	<u>\$ 4,181,987</u>	<u>\$ 3,855,380</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

**Pro-Forma Revenue Requirements
and Proposed Increase**

Line No.	Pro-Forma Revenue Requirements	Reference	Amount
		P - Page C - Column L - Line	
1	Operation & Maintenance Expenses - Purchased Gas	P8 - CE - L11	\$ 3,215,183
2			
3	Operation & Maintenance Expenses - Other	P8 - CE - L20	418,922
4			
5	Depreciation Expense	P8 - CE - L24	72,883
6			
7	Amortization Expense	P8 - CE - L26	-
8			
9	Taxes other than Income	P8 - CE - L32	68,377
10			
11	Capital Improvement Program (Mapping)	P28 - L4	10,000
12			
13	Payment in Lieu of Property Taxes (PILT)	P29 - L7	24,750
14			
15	Working Capital	P30 - L13	10,473
16			
17	Cash Return on Net Plant	P31 - L20	31,045
18			
19	Pro-Forma Revenue Requirements		\$ 3,851,632
20	Less: Other Operating Receipts		13,699
21			
22	Adjusted Pro-Forma Revenue Requirements		\$ 3,837,933
23	Less: Present Rate Revenues		3,662,277
24			
25	Increase Required - \$		\$ 175,656
26			
27	Increase Required - %		4.80%

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY
Dearborn County, Indiana

Pro-Forma Net Operating Income Statement
(Unaudited)

Line No.	Year Ended 12/31/07 Col. A	Adjustment Col. B		Pro-Forma Present Rates Col. C	Adjustment Col. D		Pro-Forma Proposed Rates Col. E
1	<u>OPERATING REVENUE</u>						
2	Sales of gas	\$ 3,452,788					
3	- GCA normalization		\$ 125,365 (1)				
4	- Weather normalization		84,124 (2)	\$ 3,662,277	\$ 175,656 (16)		\$ 3,837,933
5	Other operating revenues	14,899	(1,200) (3)	13,699			13,699
6							
7	Total Operating Revenues	\$ 3,467,687	\$ 208,289	\$ 3,675,976	\$ 175,656		\$ 3,851,632
8							
9	<u>OPERATING EXPENSES</u>						
10	<u>Operation & Maintenance (O&M) Expenses</u>						
11	Purchased Gas	\$ 3,044,339	\$ 170,844 (4)	\$ 3,215,183			\$ 3,215,183
12							
13	Other O & M expenses	474,163					
14	- Payroll expense		(4,120) (5)				
15	- Employee benefits - Insurance		(17,776) (6)				
16	- Employee benefits - Pension		(18,972) (7)				
17	- Transportation expense		3,370 (8)				
18	- Rate case expense		53 (9)				
19	- GCA expense		1,634 (10)				
20	- Extensions & replacements		(19,430) (11)	418,922			418,922
21							
22	Total Operation & Maintenance Expenses	\$ 3,518,502	\$ 115,602	\$ 3,634,104	\$ -		\$ 3,634,104
23							
24	Depreciation expense	\$ 62,553	\$ 10,330 (12)	\$ 72,883			\$ 72,883
25							
26	Amortization expense	\$ 2,794	\$ (2,794) (13)	\$ -			\$ -
27							
28	Taxes other than income	\$ 60,136					
29	- FICA/Medicare tax expense		\$ (473) (14)				
30	- Utility receipts tax expense		6,255 (15)	\$ 65,918	\$ 2,459 (17)		\$ 68,377
31							
32	Total Taxes Other Than Income	\$ 60,136	\$ 5,782	\$ 65,918	\$ 2,459		\$ 68,377
33							
34	Total Operating Disbursements	\$ 3,643,985	\$ 128,920	\$ 3,772,905	\$ 2,459		\$ 3,775,364
35							
36	Net Operating Receipts (Disbursements)	\$ (176,298)	\$ 79,370	\$ (96,928)	\$ 173,196		\$ 76,268

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(1)

To adjust operating receipts to reflect
an increase due to the annualization of
GCA factors.

Adjusted cost of purchased gas				\$ 3,215,183
Less: Company usage				2,989
Unaccounted-for gas				<u>65,042</u>
Total net cost of gas				\$ 3,147,152
Divide: Test year adjusted sales				<u>301,163</u>
Pro-forma base cost of gas				\$ 10.45
Less: Base cost of gas last rate case				<u>3.90</u>
Annual GCA rate				\$ 6.55
Times: Test year adjusted sales				<u>301,163</u>
Pro-forma GCA revenues				\$ 1,972,791
Less: Test year				
Month	Year	Volume (Dth)	GCA Rate	GCA Revenue
January	2007	40,243	\$ 7.4188	\$ 298,555
February	2007	66,544	6.6866	444,953
March	2007	44,016	6.6866	294,317
April	2007	19,680	6.6866	131,592
May	2007	17,431	6.0808	105,994
June	2007	8,471	6.0808	51,510
July	2007	7,014	6.0808	42,651
August	2007	7,115	6.0314	42,913
September	2007	6,677	6.0314	40,272
October	2007	9,634	6.0314	58,107
November	2007	20,581	5.7890	119,143
December	2007	<u>37,557</u>	5.7890	<u>217,417</u>
		<u>284,963</u>		<u>1,847,426</u>
			Adjustment - Increase	<u>\$ 125,365</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(2)

To adjust operating receipts to reflect
an increase due to weather normalization.

Billing Month	Year	Sales (Mcf)	Non-Heat Sensitive Sales	Heat Sensitive Sales
January	2007	40,243	1,577	38,666
February	2007	66,544	1,761	64,783
March	2007	44,016	1,810	42,206
April	2007	19,680	1,242	18,438
May	2007	17,431	1,070	16,361
June	2007	8,471	1,246	7,225
July	2007	7,014	821	6,193
August	2007	7,115	769	6,346
September	2007	6,677	924	5,753
October	2007	9,634	1,119	8,515
November	2007	20,581	1,447	19,134
December	2007	37,557	2,161	35,396
Total		<u>284,963</u>	<u>15,947</u>	<u>269,016</u>
<u>Base Months (Dth)</u>				
July, 2007			6,193	
August, 2007			6,346	
September, 2007			<u>5,753</u>	
Total Base Months			18,292	
Times: 4 to annualize			<u>4</u>	
Annual base load			<u>73,168</u>	
Adjusted annual sales			269,016	
Less: Annual base load			<u>73,168</u>	
Heat sensitive sales			195,848	
Times: Weather factor			<u>108.27%</u>	
Normal heat sensitive load			212,048	
Less: Heat sensitive load			<u>195,848</u>	
Increase in sales (Dth)			16,200	
Times: Rate			<u>\$ 5.1930</u>	
Adjustment - Increase				<u>\$ 84,124</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Degree Day Information

Year Ended December 31, 2007

(SUPPLEMENT TO ADJUSTMENT NO. 2)

Line No.	Month	Year	Actual Degree Days	Normal Degree Days	Difference	
					Degree Days	Percent
1	January	2007	922	1,110	(188)	
2	February	2007	1,177	881	296	
3	March	2007	458	670	(212)	
4						
5	April	2007	397	368	29	
6	May	2007	58	130	(72)	
7	June	2007	-	19	(19)	
8						
9	July	2007	-	1	(1)	
10	August	2007	-	3	(3)	
11	September	2007	5	25	(20)	
12						
13	October	2007	188	319	(131)	
14	November	2007	629	626	3	
15	December	2007	881	953	(72)	
16						
17	Total		<u>4,715</u>	<u>5,105</u>	<u>(390)</u>	<u>-8.27%</u>
18						
19						
20						
21	Normal Degree Days			5,105		
22	Actual Degree Days			<u>4,715</u>		
23						
24	Warmer than Normal			<u>108.27%</u>		

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(3)

To adjust operating revenues to reflect a
decrease due to the elimination of tap fees.

Adjustment - (Decrease)

\$ (1,200)

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(4)

To adjust operating expenses to reflect
an increase in purchased gas expense.

Sales of gas in test year (Dth)	284,963
Add: Degree day adjustment	16,200
Company usage	286
Unaccounted-for gas	<u>6,224</u>
Pro-forma purchased gas (Dth)	307,673
Times: Cost per Dth	<u>\$ 10.45</u>
Pro-forma purchased gas expense	\$ 3,215,183
Less: Test year	<u>3,044,339</u>
Adjustment - Increase	<u><u>\$ 170,844</u></u>

Purchased Gas Expense (Test Year)

		<u>Costs</u>	<u>Dth</u>	<u>Cost/Dth</u>
January	2007	\$ 559,663	50,027	
February	2007	655,040	64,818	
March	2007	318,198	29,667	
April	2007	245,403	23,796	
May	2007	93,421	9,543	
June	2007	78,225	7,970	
July	2007	68,461	6,964	
August	2007	73,013	7,432	
September	2007	73,124	7,443	
October	2007	128,366	12,706	
November	2007	286,833	30,053	
December	2007	<u>427,824</u>	<u>44,503</u>	
Sub-total		\$ 3,007,571	294,922	
Add: December, 2006		464,592	40,921	
Less: December, 2007		<u>(427,824)</u>	<u>(44,503)</u>	
Total		<u><u>3,044,339</u></u>	<u><u>291,340</u></u>	<u><u>\$ 10.45</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Unaccounted-for Gas Calculation

Twelve Months Ended July 31, 2007

(SUPPLEMENT TO ADJUSTMENT NO. 4)

Line No.	Month	Year	Dth Delivered	Dth Sold	Difference	
					Dth	Percent
1	August	2006	8,810	7,652	1,158	
2	September	2006	10,634	9,590	1,044	
3	October	2006	22,231	17,568	4,663	
4						
5	November	2006	31,774	25,951	5,823	
6	December	2006	40,921	36,781	4,140	
7	January	2007	50,027	40,243	9,784	
8						
9	February	2007	64,818	66,544	(1,726)	
10	March	2007	29,667	44,016	(14,349)	
11	April	2007	23,796	19,680	4,116	
12						
13	May	2007	9,543	17,431	(7,888)	
14	June	2007	7,970	8,471	(501)	
15	July	2007	6,964	7,014	(50)	
16						
17	Total		<u>307,155</u>	<u>300,941</u>	<u>6,214</u>	<u>2.02%</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(5)

To adjust operating disbursements to
reflect a decrease in payroll expense.

Utility Board	\$	1,440	
Clerk-Treasurer		3,001	
Attorney		1,649	
Superintendent		19,827	
Assistant Superintendent		18,978	
Working Foremen		33,036	
Equipment Operator		17,898	
Mechanic		4,234	
Laborer		23,480	
Service		7,628	
Meter Readers		10,284	
Office Manager		10,985	
Office		21,975	
New employee		14,539	
Pro-Forma payroll expense	\$	188,954	
Less: Test year		193,074	
Adjustment - (Decrease)			\$ (4,120)

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(6)

To adjust operating disbursements to reflect a decrease in health, life and other insurance benefits.

<u>Monthly Premium</u>	
Humana Health Care	\$ 14,734
Avesia Vision Care	182
Companion Insurance	739
HRA Account	<u>1,600</u>
Pro-forma monthly expense - Insurance	\$ 17,255
Times: 12 to annualize	<u>12</u>
Pro-forma annual expense - Insurance	\$ 207,060
Times: Percent allocated to Gas Utility	<u>31%</u>
Pro-forma annual expense allocated to Gas Utility	\$ 64,189
Less: Test year	<u>81,965</u>
Adjustment - (Decrease)	<u><u>\$ (17,776)</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(7)

To adjust operating disbursements to
reflect a decrease in pension expense.

Pro-forma annual pension costs	\$ 21,480
Times: Percent allocated to Gas Utility	<u>31%</u>
Pro-forma annual expense allocated to Gas Utility	\$ 6,659
Less: Test year	<u>25,631</u>
Adjustment - (Decrease)	<u>\$ (18,972)</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(8)

To adjust operating disbursements to reflect
an increase in transportation expense due
to increase fuel costs.

Annualized gallons - Fuel	8,685
Times: Current price per gallon	<u>\$ 3.80</u>
Pro-forma fuel expense	\$ 33,004
Times: Percent allocated to Gas Utility	<u>31%</u>
Pro-forma annual expense allocated to Gas Utility	\$ 10,231
Less: Test year	<u>6,861</u>
Adjustment - Increase	<u><u>\$ 3,370</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(9)

To adjust operating disbursements to reflect
an increase due to rate filings with the IURC -
The amortization of rate case expense and the
elimination of non-recurring expenses associated
with costs incurred in IURC Cause No. 43090.

Legal	\$	7,000	
Rate Consultant		15,000	
IURC & OUCC Fee		<u>5,000</u>	
Pro-forma rate case expense	\$	27,000	
Divide: Amortization period (years)		<u>5</u>	
Annual rate case expense	\$	5,400	
Less: Test year		<u>5,347</u>	
Adjustment - Increase			<u><u>\$ 53</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(10)

To adjust operating disbursements to
reflect an increase due to the normalization
of cost for GCA procedures.

Commission charge for GCA proceedings	\$	2,701
Financial		4,638
Legal		<u>3,344</u>
Pro-forma GCA expenses	\$	10,683
Less: Test year		<u>9,049</u>
Adjustment - Increase		<u><u>\$ 1,634</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(11)

To adjust operating disbursements to
reflect a decrease due to reclassification
of expenditures as "Extensions & Replacements."

<u>Vendor</u>	<u>Description</u>	<u>Check #</u>	<u>Amount</u>
Consolidated Pipe & Supply Co., Inc.	Materials for new service	32211	\$ 1,725
R&S Products	Rebuilt meters	32233	1,875
Heath Consultants	New sniffer	32301	1,456
Holland Supply	Inventory	32304	1,720
Consolidated Pipe & Supply Co., Inc.	Casket Company (JWO)	32430	1,897
Holland Supply	Valve	32441	606
Consolidated Pipe & Supply Co., Inc.	Inventory	32448	3,485
Consolidated Pipe & Supply Co., Inc.	Valves	32499	1,619
R&S Products	Rebuilt meters	32619	740
Chipman's Maintenance Contracting, Inc.	Water utility's expense	32510	1,250
Chipman's Maintenance Contracting, Inc.	New gas valve	32532	240
Jefferson's Pro Lawn & Landscaping	New service - landscaping	32566	633
Chipman's Maintenance Contracting, Inc.	New service & replacement	32600	2,184
Adjustment - (Decrease)			<u>\$ (19,430)</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(12)

To adjust operating expenses to reflect an increase due to normalizing depreciation expense.

	<u>Land</u>	<u>Buildings & Improvements</u>	<u>Machinery & Equipment</u>	<u>Transportation</u>	<u>Total</u>
Utility plant in service	\$ 500	\$ 1,589,421	\$ 139,524	\$ 106,648	\$ 1,836,093
Add: Capitalized expenditures		19429.95			
Adjusted Utility Plant in Service	<u>\$ 500</u>	<u>\$ 1,608,851</u>	<u>\$ 139,524</u>	<u>\$ 106,648</u>	<u>\$ 1,836,093</u>
Times: Depreciation rate		3.00%	10.00%	10.00%	
Pro-Forma Depreciation Expense		<u>\$ 48,266</u>	<u>\$ 13,952</u>	<u>\$ 10,665</u>	<u>\$ 72,883</u>
Less: Test year					62,553
Adjustment - Increase					<u>\$ 10,330</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(13)

To adjust operating disbursements to reflect a decrease due to the elimination of the two amortization expenses relating to the bond issue.

Adjustment - (Decrease)

\$ (2,794)

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(14)

To adjust operating disbursements to reflect a decrease
in FICA/Medicare tax expense.

Pro-forma payroll expense	\$	188,954
Times: FICA/Medicare tax rate		<u>7.65%</u>
Pro-forma utility receipts tax expense	\$	14,455
Less: Test year		<u>14,928</u>
Adjustment - (Decrease)	\$	<u><u>(473)</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(15)

To adjust operating disbursements to reflect an increase
due to utility receipts tax on operating revenues.

Pro-forma present rate revenues	\$ 3,675,976	
Less: Tax-exempt sales	-	
Exemption	<u>333</u>	
Taxable receipts	\$ 3,675,976	
Times: Utility receipts tax rate	<u>1.40%</u>	
Pro-forma utility receipts tax expense	\$ 51,464	
Less: Test year	<u>45,209</u>	
Adjustment - Increase		<u>\$ 6,255</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY
Dearborn County, Indiana

Detail of Adjustment

(16)

To adjust operating receipts to reflect an "across-the-board"
increase in present retail rates.

Adjustment - Increase

\$175,656

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Detail of Adjustment

(17)

To adjust operating disbursements to reflect an increase
in utility receipts tax due to proposed increase.

Pro-forma present rate receipts - Retail
Times: Utility receipts tax rate

\$ 175,656
1.4%

Adjustment - Increase

\$ 2,459

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Capital Improvement Program (Mapping)Line
No.

1	Pro-forma cost of mapping	\$	30,000
2	Divide: Number of years		<u>3</u>
3			
4	Capital Improvement Program - Annually	\$	<u><u>10,000</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Payment in Lieu of Taxes (PILT)Line
No.

1	Utility Plant in Service - Adjusted	\$ 1,836,093
2	Less: Accumulated provision for depreciation - Adjusted	<u>(783,384)</u>
3		
4	Net Utility Plant in Service	\$ 1,052,709
5	Times: Effective corporate tax rate	<u>2.3511%</u>
6		
7	Pro-Forma Payment in Lieu of Taxes	<u>\$ 24,750</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Working Capital Calculation

<u>Line No.</u>		
1	Pro-forma operation and maintenance expenses	\$ 3,634,104
2	Less: Purchased gas	<u>3,215,183</u>
3		
4	Adjusted pro-forma operation and maintenance expenses	\$ 418,922
5	Divide: FERC 45-day factor	<u>8</u>
6		
7	Sub-total	\$ 52,365
8	Less: Available cash	<u>0</u>
9		
10	Sub-total	\$ 52,365
11	Divide: Amortization period (years)	<u>5</u>
12		
13	Working Capital Requirement	<u><u>\$ 10,473</u></u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Cash Return on Net Utility Plant in Service

Line No.		Amount Col. A	Percent of Total Col. B	Cost Col. C	Weighted Cost Col. D
1	<u>Capital Structure</u>				
2	Retained Earnings	\$ 933,185	85.88%	4.50%	3.86%
3	Customer Deposits	153,474	14.12%	0.00%	0.00%
4					
5	Total	<u>\$ 1,086,659</u>	<u>100.00%</u>		<u>3.86%</u>
6					
7					
8					
9	<u>Return on Rate Base</u>				
10	Utility Plant in Service - Adjusted				\$ 1,836,093
11	Less: Accumulated provision for depreciation				(783,384)
12	Less: Contributions in aid of construction				<u>(259,862)</u>
13					
14	Net utility plant in service				\$ 792,847
15	Add: Working Capital				<u>10,473</u>
16					
17	Rate Base				\$ 803,320
18	Times: Weighted cost of capital				<u>3.86%</u>
19					
20	Return on Rate Base				<u>\$ 31,045</u>

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Schedule of Present and Proposed Rates - Metered Rates

Line No.			Present Rates Col. A	Proposed Rates Col. B
1	<u>General Gas Service</u>			
2	<u>Commodity Charge</u>			
3	First	8 therms per month	\$ 0.8209	\$ 1.6452
4	Next	12 therms per month	0.5898	1.3233
5	Next	980 therms per month	0.5507	1.2689
6	Next	1,000 therms per month	0.5284	1.2378
7	Over	2,000 therms per month	0.5193	1.2251
8				
9				
10				
11	<u>Large Firm Industrial Gas Service</u>			
12	First	2,000 therms per month	\$ 0.5311	\$ 1.2416
13	Next	18,000 therms per month	0.5271	1.2360
14	Next	40,000 therms per month	0.5141	1.2179
15	Next	50,000 therms per month	0.5089	1.2107
16	Over	110,000 therms per month	0.4920	1.1871

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Determination of Gas Cost Adjustment (GCA) Charge - GCA-98

Estimated Period: August, 2008 through October, 2008

Line No.		Current Base Rates Col. A	Proposed Base Rates Col. B
	<u>Estimated Cost of Gas to be Recovered</u>		
1	Estimated Cost Adjusted for Incentive Rate Purchases	\$ 464,526	\$ 464,526
2	Contracted Storage and Transportation Cost	-	-
3	Gas Injected/Withdrawn from Storage - Net Cost	-	-
4	Total Estimated Gas Cost	\$ 464,526	\$ 464,526
	Less: Cost to be Recovered Under Schedules Containing		
5	Provisions for Changes in Gas Cost	-	-
6	Estimated Cost of Unaccounted for Gas	-	-
7	Net Cost of Gas to be Recovered	\$ 464,526	\$ 464,526
	<u>Estimated Sales Volume</u>		
8	Total Estimated Sales in Dth	29,379	29,379
	Less: Estimated Sales Under Schedules Containing		
9	Provisions for Changes in Gas Cost	-	-
10	Sales Subject to Gas Cost Adjustment (GCA) Rates	29,379	29,379
	<u>Base Rate Cost of Gas</u>		
11	Base Rate Cost of Gas	\$ 1,443,224	\$ 3,212,021
	Less: Rate Case Cost Allocated to Schedules Containing		
12	Provision for Changes in Gas Cost	-	-
	Cost of Unaccounted for Gas Approved in		
13	Last Rate Case	9,032	65,042
14	Net Base Rate Cost of Gas	\$ 1,434,192	\$ 3,146,979
	<u>Base Rate Sales Volume</u>		
15	Total Sales Units Used to Determine Base Rates	367,741	301,163
	Less: Rate Case Sales Under Schedules Containing		
16	Provisions for Changes in Gas Cost	-	-
17	Net Base Rate Sales Unit	367,741	301,163
18	Base Rate Cost of Gas Per Unit (Line 14 / Line 17)	\$ 3.9000	\$ 10.4500
	<u>Gas Cost Adjustment Rate</u>		
19	Gas Cost Variance Dollars (Schedule 12b)	\$ 299	\$ 299
20	Excess Return Reduction	-	-
21	Total Variance (Line 19 - Line 20)	\$ 299	\$ 299
22	Total Dollars to be Refunded (Schedule 12a)	-	-
23	Total Cost to be Recovered Through GCA and Base Rates	\$ 464,825	\$ 464,825
24	Total Cost to be Recovered Through GCA Per Unit Sales	\$ 15.8217	\$ 15.8217
25	Cost to be Recovered Through GCA (Less Base Cost)	\$ 11.9217	\$ 5.3716
26	Gas Cost Adjustment Charge Modified for Indiana Utility Receipts Tax (Line 25 / (1 - 1.4%) - Per Dth	\$ 12.0909	\$ 5.4479

See Accountant's Report

AURORA MUNICIPAL GAS UTILITY

Dearborn County, Indiana

Billing Comparisons (General Service)

Usage (therms)	Present Bill	Proposed Bill	Increase
50	\$ 90.62	\$ 94.35	\$ 3.73
100	178.61	185.03	6.42
150	266.60	275.72	9.12
200	354.59	366.40	11.81
250	442.58	457.08	14.50

		Present Rates	Proposed Rates
Therms			
First	8	\$ 0.8209	\$ 1.6452
Next	12	0.5898	1.3233
Next	980	0.5507	1.2689
Next	1,000	0.5284	1.2378
Over	2,000	0.5193	1.2251
GCA Factor		1.2091	0.5448

See Accountant's Report

Aurora Municipal Gas Utility
110 Main Street
Aurora, Indiana 47001

RATES AND CHARGES FOR GENERAL GAS SERVICE
 (Approved _____ in Cause No. 43527)

Applicable

In Aurora and environs in Dearborn County, Indiana.

Availability

Available for residential, commercial and small industrial customers. Applicable must be located on Utility's gas mains suitable and adequate for supplying this service.

Character of Service

All gas will be billed on a therm basis determined by supplier's calculation of MMBtu.

Rate

Commodity Charge

First	8 therms per month	\$ 1.6452 per therm
Next	12 therms per month	1.3233 per therm
Next	980 therms per month	1.2689 per therm
Next	1,000 therms per month	1.2378 per therm
Over	2,000 therms per month	1.2251 per therm

Minimum Charge

Excluding gas used for space heating purposes
 per meter per month \$ 3.55 *

Including gas used for space heating purposes
 per meter per month \$ 16.83 *

Collection Charge

On the first \$3.00 or less of net billing..... 10%
 On the amount in excess of \$3.00..... 3%

Bills shall be rendered and due monthly. If paid within 17 days from date thereof, as stated in on the bill, the net amount shall be paid. If not paid within 17 days, the gross bill which includes the collection charge is the amount to be paid.

Other Terms and Conditions

Service hereunder shall be subject to the Utility's Rules and Regulations.

* Subject to the provisions of Appendix A

Subject to the non-recurring charges listed in Appendix C.

Issued:

Effective:

Aurora Municipal Gas Utility
110 Main Street
Aurora, Indiana 47001

RATES AND CHARGES FOR LARGE FIRM INDUSTRIAL GAS SERVICE

(Approved _____ in Cause No. 43527)

Applicable

In Aurora and environs in Dearborn County, Indiana.

Availability

Available for large firm industrial customers. Applicable must be located on Utility's gas mains suitable and adequate for supplying this service.

Character of Service

All gas will be billed on a therm basis determined by supplier's calculation of MMBtu.

Rate

Commodity Charge

First	2,000	therms per month	\$ 1.2416	per therm
Next	18,000	therms per month	1.2360	per therm
Next	40,000	therms per month	1.2179	per therm
Next	50,000	therms per month	1.2107	per therm
Over	110,000	therms per month	1.1871	per therm

Minimum Charge

Per meter per month.

\$ 723.00 *

Collection Charge

On the first \$3.00 or less of net billing.....	10%
On the amount in excess of \$3.00.....	3%

Bills shall be rendered and due monthly. If paid within 17 days from date thereof, as stated in on the bill, the net amount shall be paid. If not paid within 17 days, the gross bill which includes the collection charge is the amount to be paid.

Other Terms and Conditions

Service hereunder shall be subject to the Utility's Rules and Regulations.

* Subject to the provisions of Appendix A

Subject to the non-recurring charges listed in Appendix C.

Issued:

Effective:

APPENDIX A**(Approved _____ in Cause No. 43527)**

Aurora Utilities
110 Main Street
Aurora, Indiana

Tariff Number
GCA - 98

AURORA MUNICIPAL GAS UTILITY**GAS COST ADJUSTMENT FACTOR**

The Gas Cost Adjustment for the following Rates shall be on the basis of a Rate Tracking Factor, occasioned solely by changes in the cost of purchased gas, in accordance with the Order of the Indiana Utility Regulatory Commission, approved May 14, 1986 in Cause No. 37091, as follows:

<u>Rates</u>	<u>Applicable GCA Tracking Factor</u>
1. General Natural Gas Service	\$0.54479 per therm
2. Large Firm Industrial Gas Service	\$0.54479 per therm

Applicable to the Consumption months of August, September and October, 2008.

Current base rates became effective _____ in accordance with the Indiana Utility Regulatory Commission Order (Cause No. 43527).

Original GCA-98 factor was approved by the Indiana Utility Regulatory Commission in Cause No. 37447 - GCA 98, dated July 30, 2008.

Aurora Municipal Gas Utility
110 Main Street
Aurora, Indiana 47001

APPENDIX B

BASE RATE COST OF GAS

(Approved _____ in Cause No. 43527)

PURCHASES (COST)

Pro-forma purchased gas expense	\$ 3,212,021
Less: Company usage	2,989
Unaccounted for gas	<u>65,042</u>
Net Base Rate Cost of Gas	<u>3,143,990</u>

PURCHASES (Dth)

Test year sales	284,963
Add: Degree day adjustment	16,200
New customers	-
Customer normalization	<u>-</u>
Net Base Rate Sales Unit	<u>301,163</u>
Base Rate Cost of Gas per Dth	<u>\$ 10.4500</u>

Aurora Municipal Gas Utility
110 Main Street
Aurora, Indiana 47001

APPENDIX C

NON-RECURRING CHARGES

Applicability

Applicable to all customers in the Utility's service area.

Charges

Bad Check Charge	\$ 10.00
Reconnect Charge	\$ 10.00
Late Payment Charge	10% of First \$3.00 3% or Remainder
Deposit - According to meter size	
<u>Meter Size</u>	
175	\$ 75.00
200	100.00
250	125.00
300	200.00
400	250.00
675	300.00
1,000	350.00
Larger meters	To be set by Utility Board
Customer Visit to Collect Delinquent Bill	\$ 5.00
Charge to Extend Mains and Services	To be paid by Customer

Issued:

Effective: